Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	
The Effect of Foreign Mobile	)	IB Docket No. 04-398
Termination Rates on	)	
U.S. Customers	)	

COMMENTS OF VERIZON[1]

Call volumes to foreign destinations have grown significantly both to fixed and to mobile phones, and prices for international calls have declined. Foreign mobile telecommunications markets are increasingly competitive, creating market pressure to reduce termination rates. Moreover, in many countries, independent telecommunications regulators already regulate mobile termination rates or are actively addressing them. As a result of these factors, mobile termination rates in particular are declining. In any event, there is no evidence of discrimination against U.S. customers. Therefore, there is no need for the Commission to regulate foreign mobile termination rates, and the Commission should refrain from doing so.

1. <u>International call volumes are increasing, while rates for international calls, including foreign mobile termination rates, are declining</u>. International call volumes, to both fixed and mobile phones, are increasing significantly. Switched international traffic increased 11 percent, from 158.7 billion minutes in 2002 to 176.4

[1] The Verizon 214 Licensees ("Verizon") are various subsidiaries and affiliates of Verizon Communications Inc. holding international Section 214 authorizations, listed in Attachment A.

billion minutes in 2003.[2] In 2003, 49 billion minutes of traffic, approximately 30 percent of all international calls, were terminated on mobile phones.[3] While mobile subscribers outnumber fixed line subscribers in every region except the U.S. and Canada, fixed lines still account for the majority of originating and terminating international traffic.

At the same time, prices for international calls have declined. The world average price per call declined more than 10 percent between 2002 and 2003,[4] while prices to U.S. customers declined approximately 30 percent last year.[5] In addition, mobile termination rates in particular have declined in many countries throughout the world. For example, in Italy, fixed to mobile termination rates have declined approximately 12 percent annually over the last 2 years for the two carriers designated by the regulator as having significant market power in the national market for interconnection.[6] In the Dominican Republic, mobile termination rates for international calls have declined by approximately one-third since 1999 (from US$0.153 in 1999 to US$0.101 in 2004). Appendix B of the NOI notes more than a dozen other countries where mobile termination rates have been reduced, or where mobile operators have agreed to reduce

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[2] Telegeography 2005, Global Telecommunications Traffic Statistics & Commentary, (Nov. 2004) ("Telegeography 2005") at page 19. Available at www.telegeography.com.

[3] Telegeography 2005 at 59.

[4] *Id.* at 83.

[5] Teamwork, Technology and Transformation: International Bureau Annual Report, Jan. 13, 2005 at 7 ("International Bureau Annual Report"). Available at http://www.fcc.gov/realaudio/presentations/2005/011305/ib.pdf.

[6] *See* Ovum 2004, Mobile termination rates information from Interconnect Advisory Module of Regulation@Ovum (Dec. 16, 2004).

their termination rates.[7] Indeed, according to Telegeography 2005, from 2000 to 2004, except in Europe, average mobile termination rates have declined significantly in all regions of the world. In Europe, where rates started out much lower than in other regions, rates have stayed approximately the same.[8] As discussed below, the decline in mobile termination rates is the result of increasing competition for mobile service, and active oversight by independent regulators in an increasing number of countries.

2. <u>Mobile telecommunications markets are competitive in most countries</u>. According to a recent survey by the International Telecommunications Union ("ITU"), approximately 80 percent of countries have competitive or partially competitive mobile markets.[9] This is an increase from the 74 percent of countries with two or more mobile providers just two years ago.[10] And it is clear that market pressures can have an impact on mobile termination rates. For example, in Venezuela, there are increasing instances of competition and bypass for international calls to mobile customers. These market pressures have resulted in some mobile operators reducing mobile termination rates when the call is originated internationally.

Competition allows subscribers to choose a provider and rate structure that suit their needs. For example, some calling party pays subscribers may be satisfied with a provider that charges high termination rates if it results in their paying lower prices for

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[7] *The Effect of Foreign Mobile Termination Rates on U.S. Customers,* Notice of Inquiry, IB Docket No. 04-398, Appendix B (rel. Oct. 26, 2004) ("*NOI*").

[8] Telegeography 2005 at 99.

[9] *See International Telecommunications Union Country and Regulators Profile* at www.itu.int/ITU-D/treg/profiles/guide.asp (visited January 7, 2005). This percentage includes countries listed as duopolies.

[10] *See International Settlements Policy Reform*, IB Docket No. 02-324, Comments of Verizon, filed January 14, 2003, at 9.

handsets and to make calls. On the other hand, a subscriber for whom receiving international calls is important – e.g., a business with customers in foreign countries or a consumer with relatives living in another country – will be aware of the cost to the calling party and can choose a provider with lower mobile termination rates. Contrary to claims that subscribers are indifferent to termination rates that they do not pay, it is clear that for some customers, reducing costs for those who call them is an important consideration. As an example, many providers of Voice over Internet Protocol ("VoIP") service allow customers to choose their own area codes, and many customers choose area codes that will allow family or friends to call them using a "local" number. Similarly, many businesses are willing to pay for 800 (or 8XX) numbers in order to allow customers to call them without incurring a toll charge. Clearly, competition in the mobile industry continues to increase, and the potential for market abuse by a single carrier is unlikely.

3. Foreign regulatory agencies are actively involved in overseeing mobile termination rates. There are now over 130 countries with independent regulatory authorities.[11] Local regulators in these countries have a strong incentive to investigate and address excessively high mobile termination charges because it is their constituents who are most affected by them. Generally, a large majority of calls that terminate on a mobile network originate within the country, so those consumers absorb most of the increased call prices resulting from higher mobile termination rates.

Many foreign regulatory authorities have addressed mobile termination rates, or are actively engaged in doing so. For example, 14 of the 20 countries listed in Appendix

[11] *See International Telecommunications Union Country and Regulators Profile* at www.itu.int/ITU-D/treg/profiles/guide.asp (visited January 7, 2005); International Bureau Annual Report at 25.

B of the NOI either regulate mobile termination rates or are engaged in investigating them.[12] In addition, in two of the remaining countries, regulations have resulted in lower mobile termination rates, even though the rates themselves are not regulated.[13] And in another of the remaining countries, regulatory scrutiny has resulted in mobile operators lowering their termination rates, even though the rates are not regulated.[14] Many other countries also regulate mobile termination rates or are investigating them.[15]

4. There is no evidence of discrimination against U.S. customers. As the Commission itself has recognized, foreign mobile termination rates are not a significant issue for U.S. consumers. *See NOI* ¶ 6 ("No comment from U.S. consumers or consumer groups [in the ISP Reform docket] identified mobile termination rates as a concern.") This is consistent with Verizon's experience. In 2004, Verizon received fewer than 15 complaints from customers about surcharges on international calls – only about one for each million long distance customers.

Moreover, the fact that a country uses a calling party pays regime, or that termination rates for such a regime may be higher than for a receiving party pays regime, does not provide evidence of discrimination against U.S. customers. Only about one-third of international calls originate in the U.S. and Canada, and these calls are not

[12] Australia, Austria, Belgium, France, Greece, Ireland, Italy, the Netherlands, New Zealand, Peru, South Korea, Spain, Sweden, United Kingdom. *NOI*, Appendix B.

[13] Finland (consumer information and price transparency), Japan (termination rates set by wireline operators; wireline callers can choose mobile carrier to terminate the call). *NOI* at B-3 and B-5.

[14] Germany. *NOI* at B-4.

[15] *See* Review of Regulatory Action on Fixed to Mobile Termination, attached to Letter from Leslie Joseph Martinkovics to Marlene H. Dortch, filed in IB Docket Nos. 02-324, 96-261, March 2, 2004.

charged different rates from calls originated in other countries. In most calling party pays countries, the large majority of calls that terminate on a mobile network originate within those countries. Indeed, this Commission has in the past sought to facilitate more widespread implementation of calling party pays service in the United States. *See, e.g., Calling Party Pays Service Offering In the Commercial Mobile Radio Services*, WT Docket No. 97-207, Declaratory Ruling and Notice of Proposed Rulemaking, ¶ 1 (rel. July 7, 1999) ("[i]n this proceeding, we are seeking to remove regulatory obstacles to the offering to consumers of Calling Party Pays (CPP) services by Commercial Mobile Radio Services (CMRS) providers").

5. <u>The Commission should focus any efforts in this area on educating U.S. consumers</u>. Both the Commission and U.S. carriers have made efforts to educate U.S. customers about potential surcharges associated with international calls to mobile phones. *See NOI* ¶ 15, n. 44. For example, Verizon includes the following notice on its web site:

> Many foreign telecommunications companies impose substantial fees on Verizon Long Distance to complete international calls for services they designate as premium. Premium services can include: international calls that terminate to wireless phones, pagers, personal computers and personal digital assistants (PDAs); international calls that require satellite technology; and international calls to chat lines or other information services such as 900 numbers. International calls that terminate to premium services in countries that impose <u>premium fees</u> will have a rate that is $.02 to $.40 per minute higher than the current rates for international calls that terminate to non-premium services. If you have questions, please contact your local Verizon business office at the phone number on your monthly bill.[16]

16 http://www22.verizon.com/foryourhome/sas/ProdDescPrices.asp?ID=27521&CategoryID=206&state=NY&LD=Y

The web site also provides customers with information about the surcharges they may incur on calls to specific countries. Verizon includes a similar notice in the welcome materials it sends to long distance customers who use Verizon for international calling.

In a large majority of foreign countries, mobile phones have specific carrier codes or numbering schemes. For example, in Italy, mobile phone numbers begin with the number 3. In Venezuela, each mobile operator has a different calling code. The FCC could post a list of such codes or numbering plans on its website, which would assist U.S. consumers in knowing when they could be subject to surcharges on international calls.

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The Commission has consistently stated that competition is the best form of regulation.[17] Where regulation is perceived to be needed, however, it is in the United States' interest to encourage independent foreign regulatory authorities to engage in appropriate oversight of activities within their own countries. Intervention by the Commission could undermine or weaken the authority of foreign regulators, particularly in less developed countries. Therefore, the Commission should not attempt to regulate

[17] *See, e.g., Access Charge Reform*, 12 FCC Rcd 15982, ¶ 263 (1997) ("Competitive markets are superior mechanisms for protecting consumers by ensuring that goods and services are provided to consumers in the most efficient manner possible and at prices that reflect the cost of production. Accordingly, where competition develops, it should be relied upon as much as possible to protect consumers and the public interest. In addition, using a market-based approach should minimize the potential that regulation will create and maintain distortions in the investment decisions of competitors as they enter local telecommunications markets.")

foreign mobile termination rates but should allow independent foreign regulators to continue their work in addressing this issue.

Respectfully submitted,

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ATTACHMENT A

THE VERIZON 214 LICENSEES

The Verizon 214 Licensees ("Verizon") are various subsidiaries of Verizon Communications Inc. holding international Section 214 authorizations. These are:

Bell Atlantic Communications, Inc. (d/b/a Verizon Long Distance)
CODETEL International Communications Incorporated
GTE Pacifica Incorporated d/b/a Verzion Pacifica
NYNEX Long Distance Company (d/b/a Verizon Enterprise Solutions)
Verizon Global Solutions Inc.
Verizon Hawaii International Inc.
Verizon Select Service Inc.